

April 30, 2007

Bill McCarthy & Trica DeBleeckere  
Natural Resource Group  
1000 IDS Center  
80 South Eighth Street  
Minneapolis, MN 55402

RE: Determination of Level of Minnesota Public Utilities Commission Review Required for a Proposed Natural Gas Pipeline Referred to as the Buffalo Lake Energy Natural Gas Pipeline to Serve Buffalo Lake Energy Ethanol Plant Located in Martin County, Minnesota (PUC Docket # PL, P6637/M-07-472)

Dear Mr. McCarthy and Ms. DeBleeckere:

Recently we have had some discussion about the above referenced project and its proposed pressure threshold in order to properly determine the appropriate level of review required by the Minnesota Public Utilities Commission.

The question of what level of review is required in response to statements contained within two documents that were recently submitted for this project. In a letter dated, March 28, 2007, to Burl Haar, Executive Secretary of the Minnesota Public Utilities Commission, from M.D. Rafter, V.P. of Operations for Bear Cub Energy it was stated, "The proposed pipeline ....is designed to operate at a pressure of 275 pounds per square inch or less ...".

However, the "draft information book" submitted for review by e-mail on April 24, 2007 on page two, first paragraph states "The pipeline will be operated at a pressure of 275 pounds per square inch (psi) or less. However, the pipeline will be designed to meet operating pressures exceeding this limit." This statement is in conflict with our telephone discussions and the March 28, 2007 letter from Mr. Rafter.

Minnesota Statutes, section 216G.02 subd. 1(2) defines "pipeline" for purposes of PUC permitting authority for natural gas pipelines as a "pipe designed to be operated at a pressure of more than 275 pounds per square inch and to carry gas."

With limited information, it is not possible for the PUC to determine how the Maximum Allowable Operating Pressure (MAOP) will be determined in compliance with Title 49 Code of Federal Regulations (CFR) Part 192 and how it will be protected to operate at or under the 275 PSIG limit to determine the appropriate level of regulatory review by the PUC.

When there is a question about the pressure threshold of a pipeline, it is our practice to refer the matter to the Office of Pipeline Safety for a determination on the pressure threshold before the PUC will take any formal action on this matter. I have spoken with Charles Kenow, Director of the Minnesota Office of Pipeline Safety to let them know that we will be asking for their assistance in addressing the pressure threshold question.

At your earliest convenience, please provide the following and any other appropriate information to clearly demonstrate how the MAOP will be limited to 275 PSI and meet the requirements of CFR Part 192:

- 1) A detailed description of the proposed pipeline design; valve and flange ratings and Pipeline Flow Schematic and Test Specifications Drawings.
- 2) The requirements of Title 49 Code of Federal Regulations (CFR) Part 192, Subpart J – Test requirements must also be met. The pipeline must be tested to meet Title 49 CFR, Part 192, Section 192.619 and would be limited to about 66.67 % of the minimum test pressure.
- 3) The requirements of Title 49 CFR Part 192, Subpart D – Design of Pipeline Components. This last subpart would include the design and set points for the pressure regulating and limiting devices that are critical to capacity calculations for adequate gas supply and over-pressure protection. The pipeline facility component pressure ratings would be critical to the evaluation under this Subpart

In order to facilitate this determination, please send the requested information to my attention, as well as Mr. Charles Kenow, Office of Pipeline Safety, 444 Cedar Street, Suite 147, St. Paul, MN 55101-5147; Tel: 651-201-7235.

I believe some of ethanol the facilities have under estimated their need for natural gas and have had to build additional pipeline facilities or increase operating pressure to meet need. Please consider future need factors when submitting the above requested information.

If you have any questions, please contact me by telephone at 651-296-5089 or by e-mail at: [larry.hartman@state.mn.us](mailto:larry.hartman@state.mn.us).

Sincerely,

Larry B. Hartman  
Energy Facility Permitting  
Department of Commerce

C: Deb Pile  
Bob Cupit